


**Government of the District of Columbia
Office of the Chief Financial Officer**



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Vincent C. Gray
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer 

DATE: June 21, 2010

SUBJECT: Fiscal Impact Statement – “Collective Bargaining Agreement between District of Columbia Public Schools and Washington Teachers’ Union, October 1, 2007 - September 30, 2012”

REFERENCE: PR18-927

Conclusion

Funds are sufficient in the FY 2010 through FY 2013 budget and financial plan to implement the collective bargaining agreement (“Tentative Agreement”) that would be approved by the proposed resolution. The terms of the Tentative Agreement, which cover fiscal years 2008 through 2012, are projected to cost approximately \$365.7 million in compensation, retroactive pay, and other benefits in FY 2010, and approximately \$1.41 billion in the FY 2010 through FY 2013 financial plan period.¹ This cost can be absorbed by the resources available in the DCPS’s revised FY 2010 budget, approved FY 2011 budget, and funds that are projected to be available in the FY 2010 through FY 2013 budget and financial plan.

¹ This estimate includes potential increases in base salaries as a result of the pay-for-performance, based on the pay-for-performance model shared by DCPS, but not yet in place. Other funding for pay-for-performance would be contingent upon availability of private funds during the term of the contract, which ends in FY 2012.

This cost estimate includes projections of potential increases in base salaries upon implementation of a performance-based pay and bonus system, based on a model shared by DCPS, but not yet in place.² Full implementation of pay-for-performance is contingent upon availability of private funding, which itself is conditional on various performance measures, among other terms. *Appendix B* discusses bonus and base salary implications of this pay-for-performance system under full implementation.

Also included in this estimate are the increases in the required contributions to the Teachers' retirement system by \$700,000 in FY 2012, and \$5.8 million in FY 2013.

Background

The proposed resolution would approve a collective bargaining agreement for teachers³ of the District of Columbia Public Schools (DCPS), mutually agreed upon by the DCPS and Washington Teachers' Union, Local #6 of the American Federation of Teachers, AFL-CIO (WTU). The Agreement covers both compensation and non-compensation issues, including expanded professional development opportunities for teachers.

This Tentative Agreement would affect approximately 4,500 total positions represented by WTU, 4,321 of which were active as of April 9, 2010. From this point onwards, the term "teachers" is used to refer to these 4,321 positions. Appendix A describes all positions that would be covered by the Agreement. Below are the components of the agreement with cost implications. *Appendix D* notes other terms of the Tentative Agreement.

Salary Increase

The base salary increases proposed as shown in Table 1 would be effective on October 1 for each year, and would be paid retroactively for 2007-2008, 2008-2009 and the appropriate portion of the 2009-2010 school years, to all DCPS employees who are members of the WTU bargaining unit as of the date of WTU ratification of the Tentative Agreement, all DCPS employees who are subject to the terms of the Agreement, and all WTU bargaining unit members who were separated or retired as a result of the November 2009 Reduction-in-Force (RIF).

Table 1 - Base Salary Increase Proposed by the Agreement				
2007-2008 school year	2008-2009 school year	2009-2010 school year	2010-2011 school year	2011-2012 school year
3%	3%	5%	4%	5%

The teachers who receive an evaluation score of Minimally Effective or lower in their annual evaluations would be held on their current salary step, and the teachers who earn an evaluation score of Effective or higher would be immediately moved to the next step in the salary schedule. Teachers would also receive a service credit of up to nine years for each year of comparable,

² The Agreement requires implementation of such a pay-for-performance system, but does not specify what this system would look like.

³ See Appendix 2 for the description of the personnel under the proposed contract.

satisfactory, full-time service in another school system, and each year of work in another field deemed applicable to education, both as determined by DCPS.

Voluntary Pay-for-Performance

The Tentative Agreement would also require DCPS to implement an individual performance-based pay and bonus system in collaboration with the WTU. The Tentative Agreement would allow all teachers to be eligible for the voluntary⁴ individual performance-pay system, require the program not use quotas for budgeting purposes, and sufficient and stable funding to be provided for the performance-based pay program, as well as the Together Everyone Achieves More (TEAM) awards,⁵ which are proposed to be expanded by broadening eligibility requirements. DCPS would be responsible for implementing the individual performance-pay system.

Benefits

The Tentative Agreement would increase the District's contributions towards the dental, optical, and legal service plans premiums, as follows:

- Optical Plan: DCPS's contribution towards an optical insurance plan to be contracted by the WTU would increase from \$11.70 per month per teacher to following amounts:

Table 2 -Optical Plan Premium Proposed by the Agreement			
	2009-2010 school year	2010-2011 school year	2011-2012 school year
Self/Family	\$13.20	\$14.20	\$15.40

- Dental Plan: DCPS's contribution towards a dental insurance plan to be contracted by the WTU would increase from \$12.95 per month for single coverage and \$30.60 per month for family coverage per teacher to following amounts:

Table 3 - Dental Plan Premium Proposed by the Agreement			
	2009-2010 school year	2010-2011 school year	2011-2012 school year
Self	\$30.00	\$30.00	\$30.00
Family	\$40.00	\$50.00	\$60.00

- Legal Services Plan: DCPS's contribution towards a legal insurance plan to be contracted by the WTU would increase from \$8.70 per pay period (biweekly) per teacher to following amounts:

⁴ The terms of the voluntary "qualify-in" system would include student growth for tested and non-tested grades and subjects, and not require permanent status teachers to give up their tenure.

⁵ TEAM awards is a school-wide bonus program, originally defined by the December 17, 2007 Memorandum of Agreement between DCPS and the WTU.

Table 4 – Legal Services Plan Proposed by the Agreement			
	2009-2010 school year	2010-2011 school year	2011-2012 school year
Self	\$10.50	\$11.00	\$11.50

Excess policy and Mutual Consent

The Tentative Agreement would provide rules for “excessing”⁶ decisions, based on a point system that take into consideration a teacher’s final performance evaluation results from the previous year, unique skills and qualifications, other contributions to the Local Educational Program, and with a smaller weight, length of service and D.C. residency; and would offer options for excessed permanent status teachers, whose most recent evaluation score was “Effective” or higher, and who have made a “substantial effort”⁷ to secure a placement within DCPS. The teachers, who are unable to secure a new placement within the 60 calendar days following the effective date of the excess, would have five calendar days to select one of the following three options,⁸ or to be separated from DCPS:

- **Buyout:** the option to receive a \$25,000 cash buyout, subject to necessary government approvals. The teacher choosing this option would not be eligible for employment with DCPS for a period of three years.
- **Early Retirement:** this option with full benefits would be available to qualified teachers with 20 or more years of creditable service, subject to necessary government and budgetary approvals.⁹
- **A Year to Secure a New Placement:** this option would begin on the effective date of the excess and conclude in exactly one calendar year. A teacher choosing this option would receive full salary and benefits for the year; would be provided with multiple hiring opportunities (e.g., hiring fairs and similar activities) and with the opportunity for a minimum of 12 hours of professional development, including instruction on interviewing skills and the creation of professional portfolios; and would be assigned by DCPS to serve in one or more instructional support capacities (e.g., one-on one tutoring, small group instruction, class coverage, long-term teacher replacement, or central office support) within the teacher’s discipline. At the end of the Extra Year, DCPS would have

⁶ An excess is an elimination of a teacher’s position at a particular school due to a decline in student enrollment, a reduction in the local school budget, a closing or consolidation, a restructuring, or a change in the local school program, when such an elimination is not a ‘reduction in force’ (RIF) or ‘abolishment.’

⁷ A teacher would be considered to have made a “substantial effort” if s/he: has made a good faith effort to interview at a minimum of five Schools or has made a good faith effort to interview for all vacant positions for which the Member is qualified if the total number of such positions system wide is less than five.

⁸ Excessed permanent status teachers, who qualify and volunteer for the DCPS Performance-Based Compensation System would have 60 calendar days following the effective date of the excess to secure another placement in DCPS under mutual consent, and would be offered multiple hiring opportunities (e.g., job fairs, interviews, access to job postings, etc.) during the 60 calendar day period. However, they would not be eligible for the specified three options, and would be subject to separation from DCPS on the 61st calendar day, unless they secure a placement.

⁹ Implementation of this option is subject to enactment of Early Retirement provisions. The most recent early retirement incentive program, enacted through Retirement Incentive Temporary Act of 2007 (DC Law 17-171, effective June 5, 2008) expired on January 16, 2009.

the right to separate from DCPS all excess permanent status teachers who are unable to secure a new placement within the school system.

Other pay

The Agreement would increase the compensation for those teachers who provide class coverage in emergencies from \$30.00 per hour or the per diem rate of \$30 dollars per day of coverage to \$34.00 per hour (Administrative premium) or the per diem rate of \$34.00 per day of coverage (at the Administrative Premium), based on the level of the coverage. The \$34.00 per hour Administrative premium would also be provided to teachers participating in summer school, Saturday school, after-school programs, and other eligible activities approved by the Supervisor or DCPS.

The Agreement would also require all secondary Department Chairs to receive an annual non-pensionable stipend of \$2,500 for the school years 2009-2010, 2010-2011, and 2011-2012.

The Agreement would increase the non-pensionable funds provided to each teacher prior to the first of day of school for the purchase of start-up instructional supplies from the current minimum amount of \$100 to \$175 for the school year 2010-2011 and to \$200 for the school year 2011-2012.

Sick-leave buyout

The Agreement would allow teachers who have perfect attendance (no absences and no use of sick leave during a given school year) to have the right to return to DCPS all of the sick leave they accrued during the year, and be compensated at the daily rate of pay that corresponds to their annual salary. In addition, teachers would not have their sick leave reduced as a result of emergency closings.

Counselors

The Agreement would increase the number of counselors by requiring that in all schools, within budget limitations, DCPS would work toward providing one counselor for every 250 students or major fraction, instead of the current requirement of one counselor for every 300 students or major fraction. It would also require that:

- For school years 2011-2012 and beyond, all high school counseling positions will be 11 month positions.
- All Senior High School 10-month counselors who desire to be converted to 11-month counselors would be entitled to such conversion during the 2010-2011 school year.
- For school year 2010-2011, if there is an insufficient number of 10-month counselors, who wish to convert to 11-month counselors, DCPS would be allowed to designate one of the counseling positions or up to 50 percent of the existing counseling positions at the

school as 11-month counselors (ET15-11); and these counselors would be paid on a prorated basis, based on their current salary.

- If there is an insufficient number of counselors who volunteer to convert to 11-month positions within a school, DCPS would make the position available to other senior high school certified counselors currently employed within DC Public Schools; and if there are not enough senior high applicants, DCPS would make the position available to other certified counselors within DCPS.
- Finally, if there is an insufficient number of voluntary 11-month counselors within the school system, DCPS would have the authority to hire 11-month counselors from outside of the system to meet the programmatic needs of the school system.

Professional development

DCPS would be required, in collaboration with the WTU, to:

- Form a joint committee to develop and implement, by the beginning of the 2010-2011 school year, a comprehensive mentoring and induction program, which would require a specific allocation within the DCPS budget to cover costs of implementation and maintenance of the New Teacher Mentoring and Induction Program for a minimum of three consecutive years.
- Implement an Instructional Coach Model, through which every DCPS School would be provided with a full-time Instructional Coach, with a sole responsibility of providing professional development. Instructional Coaches would be formally trained and certified on the new DCPS Teaching and Learning Framework.
- Develop a "Workshop Catalogue" that would provide DCPS educators with a variety of professional development options to help develop their proficiency in the new DCPS Teaching and Learning Framework.
- Provide funding for three WTU pilot Teacher Centers (Professional Development Centers) in three DC Public Schools, and a citywide support unit, modeled after those established in the New York City Public Schools, to be implemented beginning with the 2010-2011 school year. The pilot project would be guided by a Teacher Center Policy Board composed of an equal number of Teachers selected by the WTU and additional Teachers selected by DCPS. After two years of the pilot project, if a significant positive impact on student achievement is observed, the plan would be expanded, subject to budget constraints.

DCPS would also be required, in collaboration with the WTU, to develop and conduct two mandatory trainings on the content of the Agreement: a minimum of three hours joint training for Supervisors and Building Representatives, and a minimum of 1.5 hours training for Teachers and all Supervisors to be held at the local School. DCPS would also be required to pay half of the full cost of the printing of the Agreement by a union printer for distribution to all Teachers. The Agreement would also require DCPS to offer training on the School budgeting process to all Local School Restructuring Team (LSRT)¹⁰ Teachers.

¹⁰ LSRT is a consensus group of local school stakeholders (e.g., administrators, Teachers, WTU representatives, students, parents/guardians, community members, etc.), who are elected or appointed to advise the Supervisor on

Financial Plan Impact

Funds are sufficient in the FY 2010 through FY 2013 budget and financial plan to implement the proposed resolution. The terms of the Tentative Agreement are projected to cost approximately \$365.7 million in compensation, retroactive pay, and other benefits in FY 2010, and approximately \$1.41 billion in the FY 2010 through FY 2013 financial plan period. This cost can be absorbed by the resources available in the DCPS's revised FY 2010 budget, approved FY 2011 budget, and funds that are projected to be available in fiscal years 2012 and 2013.

Table 5 outlines the sources and uses of funds for the Tentative Agreement. Details on the estimates of the cost lines presented in this table are provided in *Appendix C*.

The projected fund availability in District of Columbia Public Schools (DCPS) is \$365.8 million in FY 2010 and \$1.41 billion during the four-year financial plan. In FY 2010, the total amounts budgeted and available for supporting the Tentative Agreement is \$337 million, including budgeted salaries and benefits and accrued salaries from fiscal years 2008 and 2009. Additionally DCPS adjusted its FY 2010 local budget by \$20.1 million during the gap closing process¹¹, and committed continued use of additional \$18.7 million in local funds¹² to support the Tentative Agreement.

In FY 2011, the projected fund availability is \$350.7 million, including \$311 million in budgeted salaries and benefits, \$12.7¹³ million in other adjustments to the DCPS's proposed FY 2011 budget, and \$27 million in federal payments.¹⁴ This fiscal analysis assumes that FY 2012 and FY

matters of local school policy, and which would operate under the guidelines established in the Planning Guide for LSRTs (to be developed jointly by DCPS and the WTU).

¹¹ These include funds from Saturday Scholars (\$100,000), special education (\$1 million), supplies and equipment (\$7 million), contracted human resources services (\$500,000), Contracted service in the Office of the Chief Academic Officer (\$1 million), math intervention programs (\$2.1 million), Office of Local Education Agency Grants (\$2 million), after school programs (\$550,000), de-obligated purchase orders (\$3.6 million), security contract (\$1.9 million), and supplies and materials (\$500,000).

¹² Other local funds for the WTU contract would be freed by application of the following sources to other expenditure items at DCPS: \$12.9 million from State Stabilization Funds, \$3 million in Title I funds, \$2 million from federal payments, and \$1.1 million from O-type balances.

¹³ These include \$1 million in freezing of non-critical vacant positions at DCPS Central office, \$1 reduction in security expenditures, \$1.8 million in food service contract savings, \$1.5 million reduction in assessment and accountability budget, \$620,000 reductions in professional development programming funding, and \$600,000 reduction in the Saturday Scholars program. Additionally, the planned reduction in teacher numbers through attrition would be increased by another 120 to achieve \$7.6 million in savings one year earlier. To keep the model consistent with what has been presented earlier, the fiscal impact table does not include this adjustment. The effect of the adjustment is to reduce the Total Salary and Benefits line for FY 2011 from \$345.6 million to \$338 million. Step reductions would be smaller in FY 2011 and larger in FY 2012, but only marginally—thus this chance, aside from reducing salary expenditures by \$7.6 million, does not affect the integrity of the cost model.

¹⁴ DCPS received \$40 million in federal payments in FY 2009, and \$42 million in FY 2010. The President's FY 2011 budget proposal includes \$43 million in federal payments, \$23 million for academic improvements, and \$20 million in support of the education reform efforts. The analysis assumes that these payments would continue at similar levels in FY 2012 and FY 2013.

2013 local funding would stay at FY 2011 levels—a conservative approach. Increases in formula funding or student enrollments could increase the future year allocations. Together with \$27 million in federal payments, and \$7.3 million and \$7.2 million in budget adjustments respectively in FY 2012, and FY 2013, the fund availability in the FY 2011 through FY 2014 financial plan period is \$1.41 billion—sufficient to cover the projected costs of the Tentative Agreement over the same period.

Table 5 – Fiscal Impact Analysis of the Tentative Agreement (In millions of \$)					
	FY 2010	FY 2011	FY 2012	FY 2013	Four Year Plan
Sources of Funds					
Budgeted salaries and Benefits ^a	\$314.80	\$311.10	\$311.10	\$311.10	\$1,248.10
Accrued salaries ^b	\$22.20				\$22.20
Federal Payment ^c		\$27.0	\$27.0	\$27.0	\$81.00
Other sources identified in DCPS Budget ^d	\$28.80	\$12.6	\$7.3	\$7.2	\$55.90
Total Budgeted Sources	\$365.80	\$350.70	\$345.40	\$345.30	\$1,407.20
Uses of Funds					
Salaries and Benefits ^e	\$343.07	\$343.51	\$337.30	\$326.70	\$1,350.58
Retroactive Increases FY 08 and FY 09 ^f	\$21.56				\$21.56
Other Compensation ^g	\$0.88	\$2.30	\$2.30	\$2.50	\$7.98
Professional Development and other cost increment		\$2.10	\$2.60	\$2.60	\$7.30
Mutual Consent ^h	\$0.16	\$2.50	\$2.10	\$2.20	\$6.96
Pay for Performance ⁱ				\$4.90	\$4.90
Teachers' Retirement ^j			\$0.70	\$5.80	\$6.50
Total Uses of Funds	\$365.67	\$350.41	\$345.00	\$344.70	\$1,405.78
Net Fiscal Impact					
(Sources – Uses)	\$0.13	\$0.30	\$0.40	\$0.60	\$1.43

Table Notes

Totals may not add up due to rounding.

^a FY 2010 budgeted salaries and benefits are based on the average teacher salary for that year and the FTEs that are covered under the WTU contract. Please note that this amount does not include the \$34.6 million underspending in this category, which have been moved elsewhere in the DCPS budget. In FY 2011, with its migration to PeopleSoft system completed, DCPS started using position-based budgeting. Therefore, FY 2011 budgeted salaries and benefits reflect the actual salaries and benefits.

^b Accrued in FY 2008 and FY 2009.

^c Per the financial plan.

^d Per the certification letter dated May 10, 2010.

^e Includes adjustment for expected reductions in the average grade/step of the teacher force as a result of the new excessing policy that relies on performance and not only seniority. Also assumes that the pay raises would be effective on October 1, as specified in the contract, and therefore the salaries for the first two months of the academic year would be paid at pre-raise levels.

^f Includes benefits paid to 264 teachers separated through the Reduction in Force at the end of FY 2009. The calculations assume that the only benefits paid on retroactive pay are retirement benefits and social security benefits for FY 2008 and FY 2009 and full benefits for FY 2010 for active members of WTU,

including dental, optical, and legal benefits as specified by the contract, and DC Government supported medical benefits.

^gIncludes the incremental cost of Administrative Premium, Summer School, Saturday Academy, extended day, sick leave buyout, pay to high school department chairs, and counselor pay adjustments. The proposed contract increases administrative premium from \$30 to \$34, allows full buy-back of sick leave, provides a \$2,500 stipend for high school grade level chairs, and allows counselors to work through the summer (the estimate assumes one counselor per school). The Contract also provides that teachers would not receive a step increase if they were rated "Minimally Effective" in their annual evaluations. This line incorporates the full effect of these provisions.

^h Assumes that 26 teachers would be carried for another year in FY 2010 (salary expenditures reflected in FY 2011), 21 teachers in FY 2011, and 20 teachers in FY 2012. Additionally, it is expected that 7 teachers would take the buy-out option in FY 2010, and 5 in the out-years.

ⁱAssumes at least the base salary increases of the voluntary pay-for-performance plan would be funded by DC Government starting FY 2013.

^j Preliminary estimate, subject to changes in the valuation of the assets held in the retirement fund.

Appendix A – Effected Personnel

Employees in the occupational bargaining units and job classifications defined by the Agreement, including all full time and regular part time employees at ET 15 pay plan positions of Attendance Officer, Athletic Trainer, Audio Visual Coordinator, Counselor (elementary or secondary school), Curriculum Development Specialist, Hearing Therapist, Instructional Coach, Job Coordinator, Librarian (elementary or secondary school), Literacy Professional Developer, Numeracy Professional Developer, Placement Counselor, Psychiatric Social Worker, Reading Specialist, School Psychologist, School Social Worker, Speech and Language Pathologist, Teacher (elementary or secondary school), and Junior ROTC Instructor (holding BA); all full time and regular part time employees at ET 15/11 pay plan/grade position of Counselor (secondary school) and 15/12 pay plan/grade positions of Mentor Teacher and Incarcerated Youth Services (IYP and YSC); ET 15/12 and ET 15/11 employees, who work twelve or eleven months per year and are entitled to the same working conditions as all ET 15 bargaining unit members; all full-time employees who work a 40 hour week and 52 weeks a year in a probationary or permanent status, who are rendering educational services and receive compensation pursuant to the "EG" salary schedule, excluding supervisors, management personnel, confidential employees, employees engaged in personnel work other than in purely clerical capacities, employees in the ET bargaining unit, any other personnel currently represented by a labor organization and employees engaged in administering the provisions of Title 1, Section 618 of the D.C. Code, in the following job classifications: Counselor, Education Technician, Guidance Counselor, Instructor, Teacher (adult education, bilingual education, secondary education, special education, or vocational education), Teacher Coordinator, Training Instructor, Training Specialist, Vocational Rehabilitation Specialist, and Junior ROTC instructors (without Bachelor's); and any employee in a new title, classification or category created by DCPS, which has a community of interest with employees in the WTU bargaining unit.

Appendix B –Pay for performance projections

The Tentative Agreement requires that the DPCS implement a voluntary pay-for-performance program, but the details of the program are not specified in the contract. DCPS shared with the OCFO one of the potential models. This model incorporates a combination of bonus pay and base increases, and is projected to be the most expensive alternative considered. Under this model, WTU members or DCPS employees covered by the Tentative Agreement must be graded Highly Effective (HE) in their annual evaluations to qualify for the performance-based bonus payments and salary increases. The structure of the performance-pay program would provide bonuses between up to \$22,000 annually depending on school characteristics (free or reduced lunch schools), availability of Individual Value-Added data and based on the high-need status of the subject.

Without any historical data on evaluations in DPCS or similar settings, it is hard to provide a reliable estimate of the costs of the pay-for-performance model. We considered three alternative scenarios presented by DCPS based on three different assumptions.

Scenario #1 uses highest achievement assumptions. The model looks at four basic groups.

- Among teachers who have individual value-added data, about a quarter of these teachers are expected to have HE.
- The second group includes teachers whose evaluations do not have Individual Value Added component. 22.5% percent of the teachers are estimated to have HE. That is approximately 777 teachers out of 3453.
- The third group includes teachers who are teaching in high-need subjects–this is a subgroup of all teachers including those in groups 1 and 2. 31 percent of those are expected to have HE.
- Finally 179 out of 731 non-teachers would receive HE.

Thus, under Scenario #1, approximately 23 percent of the covered teachers (and other covered employees) would score HE in FY2010. Scenario #1 assumes that three quarters of teachers who score HE in 2010 would continue to score in the subsequent years, and 35 percent of teachers who score Effective in 2010, would improve their scores to HE in 2011.¹⁵ With these assumptions, the percentage of teachers who score HE would increase rapidly in FY 2011 and FY 2012 to 32 percent and 38 percent respectively, and then settle around 42 percent by 2014.

Scenarios #2 and #3 consider alternatives where fewer teachers achieve HE (under Scenario #2) and ever fewer receive this score repeatedly (under Scenario #3). Under Scenario #2, 11 percent

¹⁵ The scoring assumptions are as follows:

Subsequent year → Current year ↓	IN	ME	E	HE
ME	10%	50%	30%	10%
E	5%	10%	50%	35%
HE	0%	5%	20%	75%

of teachers are expected to score HE and HE teachers eventually settle at around 40 percent of all covered employees by 2014. Finally, Scenario #3 differs from the others because it assumes that only 6 percent of teachers would be able to receive HE in two consecutive years. This is the least conservative model, because it assumes that while a comparable number of teachers receive HE every year, a much smaller percentage would receive HE continuously. Under this model, by 2014 approximately 9 percent of the teachers continuously receive HE.

Table 6 depicts the number of teachers and non-teachers who would be eligible for bonuses and pay increases under the three scenarios.

Table 6 – Number of Teachers and non-teachers eligible for Bonuses and Pay increases						
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Teachers						
<i>Scenario #1</i>	777	1332	1547	1596	1618	1629
<i>Scenario #2</i>	518	1056	1364	1466	1516	1539
<i>Scenario #3</i>	267	285	332	317	326	326
Non-teachers						
<i>Scenario #1</i>	179	290	331	340	344	346
<i>Scenario #2</i>	110	224	289	319	337	344
<i>Scenario #3</i>	57	60	70	76	84	86

Table 7 depicts the projected bonus and base salary increases under the three scenarios. Based on the distribution of teachers across high-need subjects, availability of individual Value-Added data and schools characteristics, the average bonus is expected to be between \$5,250 and \$11,112, depending on teacher status. First year average base salary increases is projected to be \$8,750 for the first year and \$4,180 for the second year. With these projections, the bonus payments are estimated at \$9.6 million in FY 2010, \$16.3 million in FY 2011, and \$18.9 million in FY 2012, for a total of \$44.8 million. The projected base salary increase is \$3.5 million in FY 2012, the first year during which members would be eligible for such increases. Thus the combined bonus and salary increases would require \$48.3 million.

Table 7 – Projected Bonuses and Base salary increases under the pay-for-performance plan (in million \$)						
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Scenario #1						
<i>Bonus</i>	\$9.57	\$16.32	\$18.93	\$19.52	\$19.78	\$19.91
<i>Base salary^a</i>			\$3.53	\$4.86	\$6.22	\$8.25
<i>Total</i>	\$9.57	\$16.32	\$22.46	\$24.38	\$26.01	\$28.16
Scenario #2						
<i>Bonus</i>	\$6.33	\$12.91	\$16.67	\$17.97	\$18.62	\$18.91
<i>Base salary^a</i>			\$2.35	\$4.03	\$5.46	\$7.16
<i>Total</i>	\$6.33	\$12.91	\$19.02	\$22.00	\$24.08	\$26.06
Scenario #3						
<i>Bonus</i>	\$3.26	\$3.49	\$4.06	\$3.92	\$4.06	\$4.07

<i>Base salary^a</i>			\$0.59	\$0.63	\$0.99	\$1.28
<i>Total</i>	\$3.26	\$3.49	\$4.65	\$4.55	\$5.05	\$5.35

TABLE NOTES

^a Includes Medicare payments—the only component of benefits that are sensitive to salary levels. Additionally, the base salary increases would increase required retirement contributions. Under Scenario 1, these amounts are projected to be approximately \$150,000 in FY 2013, \$180,000 in FY 2014, and \$250,000 in FY 2015 and each year after.

Under Scenario #1, by 2015, the bonus payments are expected to settle at about \$20 million annually, and base salary payments at about \$9 million. So, by this time, the cost of the pay-for-performance plan would settle around \$30 million annually under the proposed terms.

It is important to note that the Tentative Agreement does not obligate the District to a specific amount. The fiscal impact statement recognizes only the base salary increases as a potential risk, since all other components could be reversed in FY 2013 (assuming that private funds covered FY earlier costs—if funding does not come through for whatever reason, the risk is actually smaller, since the base salary increases would not materialize).

The longevity of the pay-for-performance component depends on whether the DCPS budget can absorb an additional \$30 million annually in the long-run. It is not possible to reliably answer this question at this time. DCPS resources could increase if enrollments increase and per pupil funding formula increases. But a medium-term budget analysis that would help us understand other needs and obligations of the school system, we cannot provide an informed analysis on this question.

Appendix C – Uses of Funds, calculation details**Calculation of the Retroactive Pay for Active Employees for FY 2008 and FY 2009**

Retroactive pay is calculation based on a Schedule A provided to the OCFO on April 9, 2010. The retroactive pay captures the difference between what active teachers received in FY 2008 and FY 2009, and what the contract would entitle them under the proposed raises of 3 percent for FY 2008, and 3 percent in FY 2009. The only benefits payable for retroactive increases is the Social Security (already included in the calculations below) and retirement (shown elsewhere). The total retroactive pay obligation for these two years is the sum of FY 2008 and FY 2009, or \$19.7 million (Not shown in Table 8).

Table 8 – Projected Bonuses and Base salary increases under the pay-for-performance plan (in million \$)		
Retro Raises for Active Teachers	FY 2008	FY 2009
Contract Increase Rate	3%	3%
Active teachers	3215	4207
Base compensation ^a	\$205.3	\$238.3
Incremental Retro Pay ^b	\$6.2	\$7.3
Cumulative Retro Pay ^c	\$6.2	\$13.5

Table Notes

^a Compensation calculated on base salaries (and starting FY 2009 applicable increases to the base as a result of previous year's increase), then adjusted for actual time worked. Teachers are treated as 10 month employees.

^b Incremental increase for that fiscal year only.

^c Includes the increase of that year and all previous increases that have to be paid out at the time the contract is effective.

Calculation of the Retroactive Pay for Employees Separated in on November 3 for FY 2008, FY 2009, and FY 2010

Retroactive pay is calculation based on a salary schedule provided to the OCFO of the 264 teachers separated on November 3, 2010. The retroactive pay captures the difference between what active teachers received in FY 2008 and FY 2009, and what the contract would entitle them under the proposed raises of 3 percent for FY 2008, and 3 percent in FY 2009. Because these teachers were separated on November 3, 2009, they would also be eligible for approximately 1 month's pay at higher rates in FY 2010. Taken together, the total amount of back pay that would be paid out to separated teachers is \$1.8 million, as shown in Table 9. The only benefits payable for retroactive increases is the Social Security (already included in the calculations below) and retirement (shown elsewhere).

Table 9 – Projected Bonuses and Base salary increases under the pay-for-performance plan (in million \$)			
Retro Raises for Teachers Separated on 10/3/2010	FY 2008	FY 2009	FY 2010
Contract Increase Rate	3%	3%	5%
Active teachers	230	264	264
Base compensation ^a	\$15.9	\$19.2	\$5.1

Incremental Retro Pay ^b	\$0.5	\$0.6	\$0.3
Cumulative Retro Pay ^c	\$0.5	\$1.1	\$1.8

Table Notes

^a Compensation calculated on base salaries (and starting FY 2009 applicable increases to the base as a result of previous year's increase), then adjusted for actual time worked. Teachers are treated as 10 month employees.

^b Incremental increase for that fiscal year only.

^c Includes the increase of that year and all previous increases that have to be paid out at the time the contract is effective.

Calculation of base salary expenditures

Base salary calculations have two key drivers: the number of employees covered under the contract ("teachers") DCPS plans to engage for fiscal years 2011 through 2013, and the salary increases agreed upon in the tentative contract.¹⁶

There are two adjustments to the base salaries. One is the projected reductions in headcount that DCPS plans to achieve through attrition. We estimated projected savings from attrition conservatively, assuming that salary savings from each headcount would be \$55,000—significantly below the average salary of \$74,899 for FY 2011.

The second adjustment is the projected reduction in steps as the Tentative Contract would replace the current seniority system with a performance-based system. Under this system, average years of service are expected to decline to 9.2 years by 2013 from a projected 10.7 years under the current system. The changing teacher experience profile as a result of the performance-based system is projected to reduce average salaries by \$682 in FY 2011, \$3,256 in FY 2012, and \$560 in FY 2013, compared to the previous year. Thus, we adjust down base salaries by an additional \$2.83 million in FY 2011 (this is \$682 times 4,150, or the projected headcount), by \$12.92 million in FY 2012 (\$3,256 times 4,000) and by \$2.24 million in FY 2013 (\$560 times 3,850).

Table 10 – Projected Bonuses and Base salary increases under the pay-for-performance plan (in million \$)				
	FY2010	FY 2011	FY 2012	FY 2013
Starting Number of teachers	4322	4322	4150	4000
Reduction in number of teachers	NA	172	150	150
Number of teachers	4322	4150	4000	3850
Salary Increase	5%	4%	5%	0%
Base Salary	\$295.90	\$310.69	\$310.83	\$305.20
Rate Increase	\$14.79	\$12.43	\$15.54	\$9.16
New Base	\$310.69	\$323.12	\$326.37	\$314.35
Adjustments to Salaries				
<i>Headcount Adjustment^a</i>	NA	(\$9.46)	(\$8.25)	(\$8.25)
<i>Lower Steps</i>	NA	(\$2.83)	(\$12.92)	(\$2.24)
Base Salary expenditures after adjustments	\$310.69	\$310.83	\$305.20	\$303.86

¹⁶ The contract runs through FY 2012. The estimated growth in salaries for FY 2013 is an OCFO assumption.

Calculation of benefits

The benefit calculations consider three components: health benefits (which have historically constituted about 89 percent of salary non-sensitive benefits),¹⁷ dental/optic/legal benefits (which are determined by the terms of the Tentative agreement), and Medicare (which is calculated as 1.45 percent of salaries).

The calculations assume that health benefit costs would increase at about 2.5 percent per year. The current dental/optic/legal benefits, on average, cost about \$710 per teacher. Under the proposed contract, these benefits would increase by \$201 in FY 2010¹⁸, \$316 in FY 2011, and \$433 in FY 2013. The fiscal impact analysis assumes that FY 2013 benefits would continue at the same level. Additionally, each teacher would receive a Medicare contribution that equals to 1.45 percent of his or her base salary.

Table 11 depicts these calculations. The benefit payments are projected to be about 11.5 percent of base salaries by 2013. This is a lower percentage than historically observed amounts because the benefits are not growing as rapidly as the base salaries under the Tentative Agreement.

Table 11 – Calculation of total salary expenditures				
	FY2010	FY 2011	FY 2012	FY 2013
Number of teachers	4322	4150	4000	3850
Base Salaries (\$m)	\$310.7	\$310.8	\$305.2	\$294.7
Average Salary	\$71,887	\$74,899	\$76,299	\$76,547
Average salary growth		4%	2%	0%
Benefit Calculation				
<i>Health benefits^a</i>	\$6,119	\$6,272	\$6,429	\$6,590
<i>Current Dental/Optic/Legal benefits^b</i>	\$710	\$710	\$710	\$710
<i>Dental/Optic/Legal Increment under Tentative Agreement</i>	\$201	\$316	\$433	\$433
Benefits not sensitive to salaries	\$7,030	\$7,298	\$7,572	\$7,733
Medicare (1.45% of base salary)	\$1,042	\$1,086	\$1,106	\$1,110
Total Benefits	\$8,072	\$8,384	\$8,678	\$8,842
Average Salary and Benefits	\$79,959	\$83,282	\$84,977	\$85,389
Benefits as a percentage of average salary	11.23%	11.19%	11.37%	11.55%
Total salary/benefit Expenditure (m \$)	\$345.6	\$345.6	\$339.9	\$328.7

TABLE NOTES

^a Assumed to grow at 2.5 percent per year

^b Benefits under current contract.

¹⁷ The baseline data for this calculation is actual expenditures in FY 2009, which suggests that total benefits paid to teachers, except for Medicare was about \$26.7 million. \$23.8 million of these payments were for health insurance. The average benefits paid that year was estimated at \$6,679, assuming 4000 teachers benefited from these payments. This allows for some adjustment down for teachers who might be on health care plans of their spouses.

¹⁸ Assuming full benefit payments for FY 2010, which is conservative, since the contract will be in place in the last three months of the fiscal year, and it might not be necessary to pay these benefits retroactively.

^c As specified by the contract.

Mutual Consent

Under the terms of the Tentative Agreement, teachers who are excessed due to changing needs in their schools would be given three options if they have achieved HE in their annual evaluations: a one-year extension of their contract, a \$25,000 buy-out, or an early retirement option.

The fiscal impact analysis estimates the cost of the mutual consent using the following assumptions:

- Approximately 26 teachers would be carried for another year in FY 2010 (salary expenditures reflected in FY 2011), 21 teachers in FY 2011, and 20 teachers in FY 2012.
- Approximately 7 teachers would take the buy-out option in FY 2010, and 5 in the out-years.

The cost of mutual consent provision, projected based on these assumptions is provided in Table 12:

Table 12 – Calculation of Mutual Consent Costs				
	FY2010	FY 2011	FY 2012	FY 2013
Number of teachers carried over		26	21	20
Salaries plus benefits ^a		\$2,379,624	\$2,009,890	\$2,037,440
Number of teachers choosing Buy-out	6.5	5.2	5.1	5.0
Buy-out costs ^b	\$161,528	\$131,225	\$127,705	\$123,884
Total Mutual Consent Costs	\$161,528	\$2,510,849	\$2,137,594	\$2,161,323

TABLE NOTES

^a Average salary and benefits are assumed to be approximately \$91,500 in FY 2011, \$95,700 in FY 2012, and \$101,871 in FY 2013 for teachers participating in this option.

^b \$25,000 per teacher through the contract period and FY 2013.

Other Compensation Increment

The Tentative Agreement would make the following changes to other compensation components:

- Increase administrative premium and summer school, Saturday academy and extended day pay by approximately 13.33 percent
- Allow teachers who have perfect attendance to have the right to return to DCPS all of the sick leave they accrued in return for compensation based on their full salary. The current contract allows for cashing in on only half of the accrued sick days.
- Pay Grade-level department chairs in high schools a non-pensionable \$2,500 annual compensation
- Convert all high school counseling positions will be 11 month positions.
- Increases start-up cost allocation for teachers from \$100 to \$175 in FY 2010 and \$100 to \$200 in fiscal years 2011, 2012, and 2013.

Table 13 outlines the cost projections for all the other compensation increment. The estimate includes only the increment since the base expenditures for other compensation is budgeted outside of the basic salary and benefits line in the DCPS budget.

Table 13 – Calculation of Other Compensation Increment				
	FY2010	FY 2011	FY 2012	FY 2013
Administrative Premium ^a		\$77,307	\$77,307	\$77,307
Summer School/Saturday Academy/Extended Day ^b	\$847,806	\$2,361,544	\$2,361,544	\$2,361,544
Sick Leave Buyout ^c		\$245,679	\$249,415	\$247,240
H.S. Grade Level Cost ^d		\$262,500	\$262,500	\$262,500
11 Month Counselors ^e		\$194,395	\$204,114	\$204,114
Start-up allocation		\$400,000	\$385,000	\$385,000
Other Compensation Increment	\$847,806	\$3,541,425	\$3,539,880	\$3,537,705

TABLE NOTES

^a Current administrative premium expenditures are estimated at \$579,946 annually. A 13.33 percent increase would result in an annual increment of \$77,307.

^b FY 2010 only includes summer school expenditure since academic year is already over for FY 2010. The increment is calculated as 13.33 percent of the baseline expenditures in each case.

^c The estimate assumes that 100 teachers would be able to have perfect attendance. The daily rate is calculated using the projected average salary and 196 work days per year.

^d Estimated assuming 5 grade-level chairs per school across 21 high schools.

^e Estimated using approximately \$9,250 in increased salaries for the extra month in FY 2011, and \$9,719 per month in FY 2012 and FY 2013, over 21 counselors.

^f Estimated by multiplying the projected number of teachers with the incremental change in cost-allocation.

Professional Development Cost projections

The fiscal impact analysis includes cost projections for mentor teachers from sections 2.4.1.1 and Professional Development Center requirement under section 2.4.1.4 of the Tentative Agreement. Other components are either already in place or are not specifically mandated by the proposed contract. Table 14 details the cost projections and the underlying assumptions.

Table 14 – Calculation of Professional Development Components				
	FY 2010	FY 2011	FY 2012	FY 2013
Teacher Mentoring/Induction (Section 2.4.1.1)				
<i>Total Salary Cost^a</i>		\$1,111,224	\$1,128,121	\$1,118,287
<i>Non-Personnel Costs</i>		\$50,000	\$50,000	\$50,000
<i>Total Mentoring Costs</i>		\$1,161,224	\$1,178,121	\$1,168,287
Teacher Centers (Section 2.4.1.4)				
<i>Total Salary Cost^b</i>		\$192,612	\$451,249	\$447,315
<i>Non-Personnel Costs</i>		\$100,000	\$300,000	\$300,000
<i>Total Teacher Center Costs</i>		\$292,612	\$751,249	\$747,315
Other non-personnel expenditures		\$250,000	\$250,000	\$250,000
Total Professional Development Components		\$1,703,837	\$2,179,370	\$2,165,601

TABLE NOTES

^a Assumes approximately 15 FTEs.

^b Assumes 2 FTEs in 2011 and 6 in fiscal years 2012 and 2013.

Step Hold for Minimally Effective Teachers

The Tentative Agreement would disallow step increases for teachers who score Minimally Effective in their annual performance reviews. The cost projections include salary savings depicted in Table 15. The estimate assumes that 575 teachers would score Minimally Effective in FY 2010, 537 in FY 2011, and 410 in FY 2012. The step hold would affect the salary payments in the subsequent year.

Table 15 – Step-Hold impact				
	FY2010	FY 2011	FY 2012	FY 2013
Step hold		(\$839,996)	(\$866,866)	(\$682,837)

Late Raise Adjustment

The Tentative Agreement Stipulates that proposed salary increases would be effective starting October 1. Given the school year starts earlier in the year, we made the following adjustments to the salary expenditures:

Table 16 – Calculation of Other Compensation Increment				
	FY2010	FY 2011	FY 2012	FY 2013
Late raise adjustment	(\$2,510,131)	(\$2,116,195)	(\$2,609,548)	(\$2,048,812)

Appendix D - Other components of the contract not directly related to the fiscal impact calculations

Other Professional development commitments

The Agreement would require the Chancellor to work with the President of the WTU to secure a facility to hold WTU professional development courses and workshops at minimal or no cost to the WTU. The Agreement would also require DCPS to provide a minimum of 10 non-instructional days for professional development, starting with the 2009-2010 school year.¹⁹

WTU and DCPS would be required to establish a joint committee to review all policies and make recommendations to the Chancellor and WTU President regarding extra duty assignments,²⁰ including compensation. The current extra duty pay policies and compensation would remain in effect until these recommendations are accepted by the Chancellor and WTU President and subject to certification of available funds by the Chief Financial Officer of the District.

The Agreement would include additional restrictions on eligibility for tuition expense reimbursement;²¹ would end the \$4,000 bonus program for National Board for Professional Teaching Standards Certification by November 1, 2010²²; and would require that the tuition reimbursements, as well as bonuses for dual certification and National Board for Professional Teaching Standards Certification are paid within 60 School Days following completion of the coursework or the certification. It would also change the deadline to pay for the bonus for a Declaration of Intent to Not Return (DINR) from the current "within 45 days following the exit date of an eligible retiree and within 45 days following the end of the school year for all other eligible teachers" to "September 30 of the calendar year in which the teacher leaves DCPS."

Balanced school funding

Given the possibility that local school funding based on "actual teacher salary" could lead to possible discrimination against senior teachers with higher salaries, the Agreement specifies that DCPS would maintain "average teacher salary" as the formula for charging teacher salaries to local school budgets.

Supplies for service providers

¹⁹ The current contract requires provision of one half day each month during the school calendar year for teachers to engage in professional development. On such days, schools close one half day in the afternoon for all students unless otherwise mutually agreed by DCPS and the WTU President.

²⁰ Extra-duty pay activities would include only those activities performed before and after school as determined by DCPS in consultation with the WTU.

²¹ The teacher has not been subject to a discharge for misconduct that has been upheld, the teacher's most recent evaluation score is Effective or higher, the coursework is for an advanced degree or as part of a relevant dual certification program and the program is approved by DCPS and the Teacher submits the tuition reimbursement form not later than two weeks following the beginning of the coursework.

²² Effective date of termination for the receipt of certification.

The agreement would require that local school Supervisors to provide funding for supplies to all related service providers (School Social Workers, School Psychologists, Speech/Language Pathologists and Psychiatric Social Workers) assigned to their school; and to provide a room with confidential access to an operational telephone and computer for related service providers.

IEP Caseload

The agreement would also require annual Individualized Educational Programs (IEP) caseload for special education teachers would not exceed 15 per teacher, except by mutual Agreement between the Supervisor and special education teacher; and if the teacher agrees to complete more than 15 IEPs annually, the teacher would receive administrative premium (\$34.00 per hour) at the rate of three hours per additional IEP.

According to DCPS's Special Education Office the mean and median EIP case loads are 10.8 and 11 respectively. Therefore this provision of the Agreement is not projected to have a fiscal impact.

Resources for the classroom

The agreement would require that a Joint Committee appointed by the Chancellor and President of the WTU would develop uniform standards for classroom resources, which would become the standards of classroom resources for a DCPS "Certified Classroom" that DCPS would fund annually to the extent possible.

Other support services

For students, the Agreement would require pilot alternative school settings for students whose needs are not met in the traditional classroom, including "twilight programs" for secondary students who are significantly older than their peers due to retention, and alternative high schools designed to more strategically engage students in the learning process.²³

For teachers, the Agreement would require DCPS to provide professional development for all teachers on student discipline, including training on how to keep students engaged in learning and how to deemphasize inappropriate behavior by highlighting positive student choices. It would also require DCPS to support teachers and students by streamlining student discipline procedures and paperwork; piloting a robust wraparound services model as a means of addressing the root causes of many student discipline issues²⁴; piloting other innovative models such as robust in-school suspension programs to help schools better manage student discipline challenges; and ensuring the removal of severely disruptive students from the traditional classroom settings.

Oak Hill

The Agreement would also clarify the paid vacation leave for Oak Hill teachers within a new "Incarcerated Youth Program" provision that in accordance with the MOA between DCPS and

²³ Twilight programs, already in place, are supported by individual school budgets.

²⁴ Funding for this program is provided through an OSSE grant that support "full service school model."

the Department of Corrections (DOC), teachers working at the Incarcerated Youth program housed at DC Jail and the Correctional Treatment Facility would be provided with paid vacation leave for the workdays between the end of the regular school year and the start of summer school, as well as 10 workdays of paid vacation leave immediately following the summer school session that ends in August of each school year. WTU and DCPS would continue discussions regarding implementation of hazardous duty pay for Teachers working in these correctional facilities.

Classroom assignment

It is also required that where possible, DCPS would assign each classroom teacher a permanent individual classroom. When the number of teachers exceeds the number of available classrooms, the School Chapter Advisory Committee (SCAC)²⁵ and the building Supervisor shall ensure appropriate teaching facilities for teachers not assigned a permanent classroom.

²⁵ SCAC is a committee consisting of not more than seven full dues paying members of the Washington Teachers' Union in each School that shall advise the Supervisor on all matters related to the implementation of the Agreement.